

ANNUAL
REPORT
1984-1985

ADC

AGRICULTURAL DEVELOPMENT
CORPORATION

Alberta

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Section 2

Auditor's Report and Financial Statements

Presentation to the Minister of Agriculture

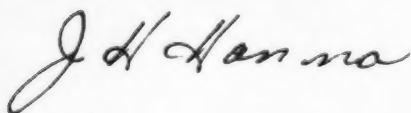
The Honourable LeRoy Fjordbotten
Minister of Agriculture

Sir:

On behalf of the Board of Directors, I am pleased to submit the twelfth Annual Report of the Alberta Agricultural Development Corporation covering the fiscal year ending March 31, 1985.

As required by Section 9 of the Agricultural Development Act (1972), the report contains a summary of the business affairs of the corporation, statements of revenue, expense and retained earnings, a review of the corporate financial position, and a balance sheet.

Yours truly,



J. Harold Hanna
Chairman and Chief Executive Officer

July 22, 1985

Board of Directors

Chairman and Chief Executive Officer

J. Harold Hanna - Camrose

Directors

Gilbert Balderston - Sexsmith
 Jacques Dargis - St. Vincent
 James Elliott - Fairview
 Gerald Gunby - Debolt
 Paul Madge - Milk River
 Lorne Olson - Provost
 Gloria Paquette - Pickardville
 Gerald Parlby - Edmonton
 John Richter - Beiseker
 Barbara Tiegs - Brooks

Corporate Officers and Senior Staff

(Camrose Head Office except where otherwise noted)

Chairman and Chief Executive Officer
 General Manager
 General Counsel

Secretary to Board and
 Assistant to Chairman

Executive Director, Lending
 Manager, Agribusiness Lending
 Manager, Farm Lending
 Manager, Loan Administration
 Manager, Field Services

Regional Managers:

Lethbridge
 Airdrie
 Red Deer
 Vermilion
 Barrhead
 Fairview

Executive Director, Administration
 Manager, Financial Services
 Manager, Human Resources
 Property Manager
 Managing Solicitor

J. Harold Hanna
 Vacant
 Crawford Ferguson

Douglas H. Murray

Robert Thompson
 Peter McNeil
 Brian J. Quinn
 John Bohach
 Randy Niven

Gordon Bruins
 Peter Young
 Ken Friesen
 Peter Ignatiuk
 Lyle Roberts
 Frank Blush

E. George Suarez
 David J. Schurman
 Sylvia Moysa
 Paul D. Stanley
 Nestor Nychka

Chairman's Report

Agriculture in Alberta and throughout Canada is in a period of transition. Between 1972 and 1983 the use of credit by Alberta farmers grew fourfold — from \$1.2 billion to \$4.9 billion. This was the result of capital expansion and an increase in the cash needs of farmers due to greater dependence on purchased inputs and higher interest rates. Adverse weather conditions and a continued general decrease in net farm income have drawn attention to debt servicing as a critical aspect of farm financial management. Farmers today are more vulnerable than ever before to the downside risks of farming and financial failure.

During the past twelve years the Alberta Agricultural Development Corporation has assumed a major role in servicing the agricultural credit needs of Albertans. ADC provides direct and guaranteed funding to meet the long, intermediate and short-term needs of Alberta farmers and agricultural processors. As of March 31, 1985, ADC had authorized nearly 11,600 direct farm and agribusiness loans — more than half of which were issued to beginning farmers. Direct loan authorizations total \$1.16 billion. In addition, more than 96,200 guaranteed loan authorizations representing \$1.13 billion have been handled since the Corporation's inception.

ADC supplements the credit services available from commercial lenders and the federal Farm Credit Corporation. During 1984/85 continued emphasis was placed on the provision of loans and guarantees to beginning and developing farmers. In addition, special efforts were made to assist established farmers — particularly those having difficulty acquiring operating credit. Increased emphasis was also given to providing financial management counselling and consulting services. An Enterprise Counselling program was established using practical, knowledgeable farmers as counsellors. They are available on a one-to-one basis to help farmers understand and overcome financial problems. Enterprise Counsellors have proven to be an effective way of assisting farmers develop workout plans and establishing constructive dialogue between farmers and their creditors.

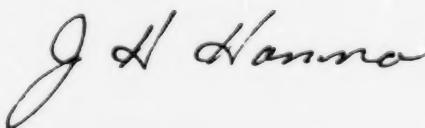
The Beginning Farmer Program continued to be ADC's major program. As of March 31, 1985, over \$122 million had been paid out in incentives to the holders of Beginning Farmer Program loans. In 1984/85 alone, beginning farmer incentives totalled \$37.1 million.

In spite of all the services provided by ADC, not all farmers will succeed. As a developmental lender, ADC often takes an extra measure of risk. Some failures will inevitably occur. Even so, the Corporation's record is remarkable. At March 31, 1985, arrears on direct loans net of prepayments totalled \$28,927,000. This represents 2.87% of the total outstanding. It is significant that at March 31, 1985, only 9.76% of ADC's direct loans were over one year in arrears.

During the year 132 of ADC's direct and specific guaranteed borrowers and 41 Alberta Farm Development Loan borrowers were the subjects of legal action to collect accounts — out of a portfolio approaching 25,000 accounts involving approximately 14,000 borrowers. When collection activity is required, all factors are assessed, including the amount of arrears, past history, management, repayment potential, along with the level of equity, security and the impact of external forces such as the weather. As long as an acceptable workout plan has been developed and positive progress is being made, ADC assists borrowers to maintain their operations. It is only after all alternatives are exhausted that legal action is taken.

A net loss of \$26,018,000 occurred during the twelve months ending March 31, 1985, resulting in the deficit increasing to \$26,413,000. This was due to the increased allowance required for doubtful accounts due to reductions in asset values held as security and increased loss levels anticipated on farm and agribusiness accounts. The allowance for doubtful accounts at March 31, 1985, is \$62,570,000.

ADC's Board of Directors and staff are committed to helping meet the special credit needs of the agricultural industry. We are proud of our role in the development of successful farming and agricultural processing enterprises. We will continue to assist borrowers to take advantage of opportunities wherever possible so that agriculture can continue to move forward to fulfill its rightful role within the economic framework of Alberta.



J. Harold Hanna
Chairman and Chief Executive Officer



Corporate Operations Overview

OVERVIEW

Events during the past twelve months strongly challenged the resources of Alberta farmers and agribusinesses. Drought conditions, uncertain markets and many other factors worked against the industry. Throughout 1984/85 the Alberta Agricultural Development Corporation assisted farmers striving to cope with circumstances which, in many instances, were beyond their control.

A number of policy and program changes were introduced during the year. All of the changes were designed to provide farmers with alternatives which could improve cash flow and allow flexibility in financial planning. The Enterprise Counselling service described below is an example of ADC's efforts to give primary producers every possible chance to restore or attain viability during this difficult economic time.

Notwithstanding setbacks in the industry, the portfolio increased by \$80.8 million (7.5%), reflecting ADC's continuing commitment to Alberta agriculture.

ENTERPRISE COUNSELLING

Enterprise Counselling services are available to any farmer experiencing financial difficulties. Enterprise Counsellors are respected farmers, businessmen or professionals with agriculture-related experience who are recognized as sound financial managers. They provide counselling on a one-to-one basis to assist clients in analysis of their farm operations and development of viable workout plans.

Commencing in January, 1985, ADC's Enterprise Counselling service became a vital component in helping to solve financial problems. Under the guidance of their Enterprise Counsellor, farm families were able to discuss optioning all available resources, including ADC's wide variety of programming and its new Farm Development Guarantee program, to find ways and means of working through critical situations.

FARM DEVELOPMENT GUARANTEE PROGRAM

The winter of 1984/85 saw many farmers short of operating credit for the growing season ahead. Aware

of this need, ADC initiated the Farm Development Guarantee Program to enhance operating credit availability. Where a return to viability is projected and funds cannot be obtained elsewhere, this program provides guarantees of up to \$100,000 of new operating funds. A maximum amount of \$100,000 per farm family or up to \$300,000 per farm partnership or company (based on \$100,000 per farm family) is available. The ability to repay must be demonstrated.

This program is available to applicants who have a net worth after the loan program not exceeding \$500,000 or more than 50% of the assets owned, and who will accept counselling.

BEGINNING FARMER PROGRAM

ADC's Beginning Farmer Program assists new farmers to develop farms on an owned-land basis. These loans have a net 6% interest rate after incentives for the first five years and may be used for land, permanent improvements (including homes), machinery and livestock.

Since the inception of the program in 1974, approximately 6,200 beginning farmers have been given an opportunity to develop their own enterprises.

Eight hundred and ninety-six Beginning Farmer Program loans were made in 1984/85 for a total of \$109 million. This represents 94% of ADC's direct farm lending dollars for the year. Beginning Farmer Program loans make up 77.6% of ADC's outstanding direct farm portfolio.

In response to changing conditions, some revisions were made to the Beginning Farmer Program during the past year. Beginning farmers who have and need higher levels of off-farm employment but remain committed to establishing a full-time farming enterprise still receive the beginning farmer incentive, provided they actively farm the assets mortgaged to ADC. While off-farm employment criteria have been relaxed for existing borrowers, increased emphasis is placed on the requirement that new beginning farmers demonstrate a commitment to develop a full-time farming operation before the loan is made. Beginning farmer applicants must also demonstrate a minimum of two year's practical farming experience relevant to the type of operation proposed.

In November, 1984, the interest rate on Beginning Farmer Program loans (whose five-year renewal occurs before April 1, 1987) was set at 9% for the sixth and seventh years of the loan, instead of advancing to 10% or 12% as might otherwise be the case. This will improve their cash flow and help them to cope with the narrow profit margins prevalent in agriculture today.

OTHER DIRECT FARM LOANS

Established and developing farmers on an owned-land base can apply for funding under ADC's Part A and Part B direct loan programs. Loan purposes include the purchase of land, permanent improvements and debt consolidation. Available on a lender of last resort basis, these loans to a maximum of \$200,000 are made at 9% under the Part A program and 12% under the Part B program for the first five years of the loan.

In 1984/85 a total of \$7.5 million was received by 77 primary producers.

Changes to ADC's direct farm loan programs were made in August, 1984, to improve access to operating credit, alleviate cash flow problems and reduce interest costs. Among these changes were reamortization of arrears on ADC direct farm loans (including Beginning Farmer Program loans) up to \$50,000 per farm family, provided a profitable farm plan could be developed. In addition, instead of the interest advancing to 10% or 12% on some regular direct and Part A loans (whose five-year renewal occurs before April 1, 1987), it will remain at 9% for the sixth and seventh years. Again, this will improve cash flow and reduce interest costs.

ALBERTA FARM DEVELOPMENT LOANS

Alberta Farm Development Loans comprise the major portion of ADC's guarantee program. Administered through other lenders under ADC's blanket guarantee, farmers have access to more favourable interest rates than might otherwise be available.

Expansion of the AFDL program in 1984/85 permitted trade debt to be consolidated. In some cases this provided reduced interest expense and increased the availability of operating capital. In addition, fixed interest rates were made available. These rates are mutually agreed upon by the lender and the farmer.

With a view to further relieving pressure on extended cash flows, the term of repayment is now extended to the productive life of the security offered or a maximum of ten years, whichever is less. A benefit of this is the spin-off effect on local trade suppliers facing cash flow problems of their own.

PRODUCTION INCENTIVES

Incentive payments totalling nearly \$1 million were paid to producers in specific segments of the agricultural industry under ADC's various production incentive programs.

SPECIFIC GUARANTEES

Farmers requiring financial assistance to develop or maintain viable farms can obtain a 100% guarantee of financing from another lender, provided repayment is

indicated and security is available. Guarantees are provided for purchasing any agricultural asset, operating capital or debt consolidation.

In this role as a supplementary lender, ADC assisted 75 farm operations last year with guarantees totalling \$6.4 million.

AGRIBUSINESS

The continuing favourable interest rates in the private sector resulted in lowered demand for direct agribusiness lending. Specific guaranteed loans and operating loan extensions were provided by ADC during the year but demand was also at reduced levels.

The ongoing monitoring of the existing portfolio called for intensified client counselling and close supervision of the more marginal accounts.

CLIENT SERVICES

Client contacts increased significantly — from 38,000 in 1983/84 to 55,600 in 1984/85 — and reflected the seriousness of the economic conditions. In response to ADC's policy of providing financial management counselling to all farmers, 8,070 of these contacts in the past year were to non-ADC borrowers. In addition to office interviews, ADC loans officers made over 5,000 regular farm calls and worked closely with primary producers to provide timely and supportive counselling to those who were facing overwhelming financial situations. Through these discussions, a significant number of farm families were able to develop a planned approach to resolving their problems.

Active & Outstanding Loans March 31, 1985

Farm	Number	Amount
Direct Loans		
Beginning Farmer		
Regular	3,151	\$ 478,739,412
Stage I	1,992	213,118,098
Stage II	301	19,307,106
Total Beginning Farmer	5,444	\$ 711,164,618
Part A	539	55,423,996
Part B & Other	3,093	150,212,442
Sub-Total Direct	9,076	\$ 916,801,056
Specific Guaranteed Loans	215	12,818,897
A.F.D.L.s	15,154	155,454,912
Implemented Guarantees	199	5,498,009
Total Farm	24,644	\$ 1,090,572,874
Agribusiness		
Direct Loans	66	\$ 41,105,968
Specific Guaranteed Loans	40	11,383,931
Letters of Credit	1	5,906,537
Implemented Guarantees	13	3,347,378
Total Agribusiness	120	\$ 61,743,814
Total Active & Outstanding Loans	24,764	\$ 1,152,316,688

Alberta Agricultural Development Corporation

ALBERTA REGIONAL MAP

- Regional Office
- District Office
- ★ Head Office



HEAD OFFICE

Alberta Agricultural Development Corporation
4910 - 52 Street

CAMROSE, Alberta
T4V 2V4

Telephone
Area 403 679-1311

REGIONAL/DISTRICT OFFICES

South Region

REGIONAL OFFICE Agriculture Centre 381-5102
LETHBRIDGE, Alberta T1J 4C7

DISTRICT OFFICES
BROOKS Room 109 362-5551
Provincial Building
BROOKS, Alberta T0J 0J0

CARDSTON Provincial Building 653-4461
Main Street
CARDSTON, Alberta T0K 0K0

CLARESHOLM Provincial Building 625-3301
CLARESHOLM, Alberta T0L 0T0

MEDICINE HAT Room 104 529-3616
Provincial Building
770 - 6th Street S.W.
MEDICINE HAT, Alberta T1A 4J6

TABER Administration Building 223-9614
TABER, Alberta T0K 2G0

VULCAN County Building 485-2236
102 Centre Street
VULCAN, Alberta T0L 2B0

South Central Region

REGIONAL OFFICE Agriculture Regional 948-5101
Centre
Airdrie, Alberta T0M 0B0

DISTRICT OFFICES
CALGARY M.D. of Rocky View 297-6281
Building
911 - 32 Avenue N.E.
CALGARY, Alberta T2E 6X6

DRUMHELLER Provincial Building 823-5740
201 Centre Street
DRUMHELLER, Alberta T0J 0Y0

HANNA New Provincial Building 854-4451
402 Centre Street
HANNA, Alberta T0J 1P0

OLDS New Provincial Building 556-4220
OLDS, Alberta T0M 1P0

North Central Region

REGIONAL OFFICE	3rd Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 6K8	340-5326
DISTRICT OFFICES		
CAMROSE	District Extension Office 4909C - 48 Street CAMROSE, Alberta T4V 1L7	679-1229
LACOMBE	Agriculture Building Bag Service 47 LACOMBE, Alberta T0C 1S0	782-3301
RED DEER	Main Floor Provincial Building 4920 - 51 Street RED DEER, Alberta T4N 6K8	340-5364
STETTTLER	Provincial Building 4809 - 48 Street STETTTLER, Alberta T0C 2L0	742-4481
WETASKIWIN	Provincial Building 5201 - 50 Avenue WETASKIWIN, Alberta T9A 0S7	352-1243

North East Region

REGIONAL OFFICE	Provincial Building 4701 - 52 Street VERMILION, Alberta T0B 4M0	853-2811
DISTRICT OFFICES		
BONNYVILLE	Provincial Building BONNYVILLE, Alberta T0A 0L0	826-3388
SMOKY LAKE	Provincial Building SMOKY LAKE, Alberta T0A 3C0	656-3613
ST. PAUL	Provincial Building ST. PAUL, Alberta T0A 3A0	645-6301
TWO HILLS	Provincial Building TWO HILLS, Alberta T0B 4K0	657-3311
VEGREVILLE	Professional Building 4809 - 50 Street VEGREVILLE, Alberta T0B 4L0	632-5400
VERMILION	Provincial Building 4701 - 52 Street VERMILION, Alberta T0B 4M0	853-2811
WAINWRIGHT	Provincial Building WAINWRIGHT, Alberta T0B 4P0	842-6126

North West Region

REGIONAL OFFICE	Provincial Building BARRHEAD, Alberta T0G 0E0	674-8258
DISTRICT OFFICES		
ATHABASCA	Room 203 Provincial Building ATHABASCA, Alberta T0G 0B0	675-2252
BARRHEAD	Provincial Building BARRHEAD, Alberta T0G 0E0	674-8213
EDMONTON	3rd Floor J.G. O'Donoghue Building 7000 - 113 Street EDMONTON, Alberta T6H 5T6	427-2450
EVANSBURG	Provincial Building EVANSBURG, Alberta T0E 0T0	727-3673
WESTLOCK	Provincial Building 10003 - 100 Street WESTLOCK, Alberta T0G 2L0	349-4465

Peace River Region

REGIONAL OFFICE	Provincial Building FAIRVIEW, Alberta T0H 1L0	835-4975
DISTRICT OFFICES		
FAIRVIEW	Provincial Building FAIRVIEW, Alberta T0H 1L0	835-4975
GRANDE PRAIRIE	Provincial Building Room 3101 10320 - 99 Street GRANDE PRAIRIE Alberta T8V 6J4	538-5280
PEACE RIVER	Provincial Building Bag 900, Box 19 PEACE RIVER, Alberta T0H 2X0	624-6170
FALHER	M.D. Building Main Street FALHER, Alberta T0H 1M0	837-2211
SPIRIT RIVER	Provincial Building SPIRIT RIVER, Alberta T0H 3G0	864-3597
FORT VERMILION	District Extension Office Box 40 FT. VERMILION, Alberta T0H 1N0	927-3712

Financial Assistance Available

ADC provides financing by way of direct loans and facilitates the acquisition of financing from other lenders by providing guarantees to those lenders.

ADC's lending programs service two basic client groups. The largest client group is farmers and the other is agribusiness.

LENDING PROGRAMS

Direct Farm Loans:

- Maximum \$200,000 or \$600,000 for partnerships and corporations based on \$200,000 per family.
- Five year renewable mortgage.

Beginning Farmer Program:

Purposes

- Land and permanent improvements (including housing).
- Livestock and equipment.
- Financial restructuring.

Eligibility

- Has not previously farmed a viable farm with an owned land base.
- Maximum pro-forma: Assets \$350,000, Net Worth \$175,000.

Terms

- Preferred interest rate, incentive of 6% for first five years.
- Eligible for preferred interest rate for second five year period. Base interest rate for remaining terms.
- Up to 30 year repayment.
- Staged option allows drawdown in three stages over six years.

Direct Loans Part "A" and "B":

Purpose

- Land and permanent improvements (including housing).
- Financial restructuring.

Terms - Part A

- Preferred interest rate reduced by 3% for five years.
- Eligible for preferred interest rate for second five year period.
- Base rate for remaining terms.
- Up to 30 year loan except 20 years for financial restructuring.

Terms - Part B

- Preferred interest rate for first five years.
- Eligible for preferred interest rate for second five year period.
- Base rate for remaining terms.
- Up to 30 year loan except 20 years for financial restructuring.

Eligibility - Part "A"

- Maximum pro-forma: Assets \$450,000, Net Worth \$225,000.
- Lender of last resort criteria apply.

Eligibility - Part "B"

- Pro-forma assets or net worth in excess of Part "A"
- Lender of last resort criteria apply.

Agribusiness Direct Loans:

Purpose:

- Land and buildings.
- Equipment (except mobile equipment).
- Permanent improvements.

Eligibility

- Business producing or processing products or providing agricultural services.

- Lender of last resort criteria apply.

Terms

- Agribusiness preferred interest rate.
- No maximum loan amount.

GUARANTEED LOANS

ADC guarantees repayment of financing from other lenders. Interest rate of a maximum of prime plus 1% for loans up to 10 years or prime plus 1.5% for loans between 10 and 15 years.

Specific Guarantees:

Purpose

- Any purpose associated with primary production or agribusinesses.

Eligibility

- Producers or processors of agricultural products and businesses providing agricultural services.
- Lender of last resort criteria apply.

Terms

- No maximum loan limit.

Enterprise Counselling Service:

Purposes

- As an extension of ADC's existing counselling service, to provide counselling on a one-to-one basis by people knowledgeable in agriculture.
- To develop a better understanding of the farm's situation, examine alternatives and assist with developing a workout plan.

Eligibility

- Producers of agriculture products who are experiencing severe financial difficulties.

Terms

- Program will remain in effect until December 31, 1987.

Farm Development Guarantee:

Purpose

- For operating capital.

Interest Rate

- Lender's Prime.

Eligibility

- Producers of agricultural products.
- Lender of last resort criteria apply.

Alberta Farm Development Loan (A.F.D.L.):

Purpose

- Any purpose associated with primary production including consolidation of trade accounts payable.
- Other debt consolidation excluded.

Eligibility

- Producers of agricultural products.

Terms

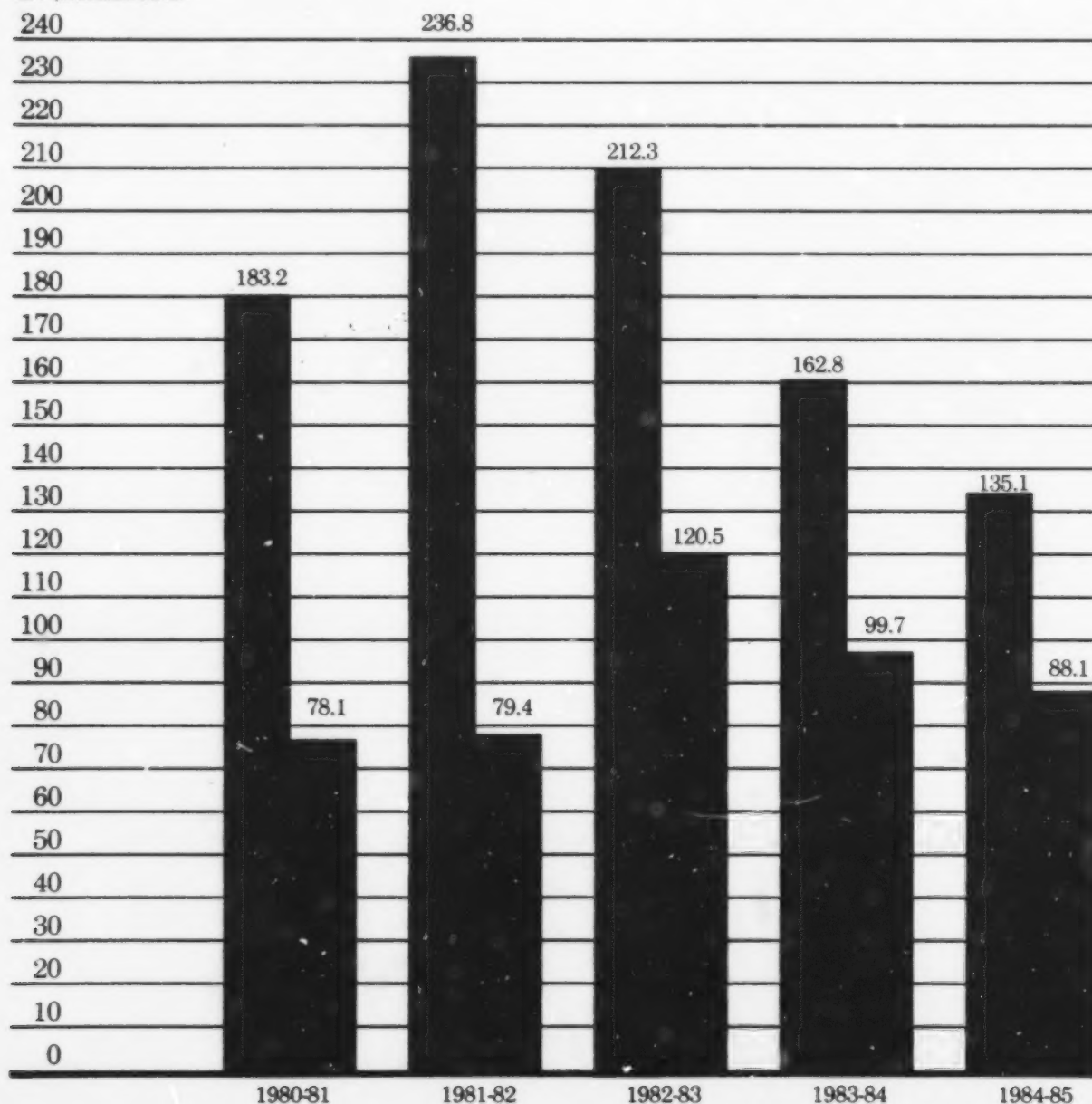
- Maximum \$100,000 loan.

A.F.D.L. INCENTIVE PROGRAMS designed to provide additional assistance to various producer groups: RANGE AND SOIL IMPROVEMENT PROGRAM, SHEEP PRODUCERS' INCENTIVE PROGRAM and VEGETABLE AND POTATO STORAGE PROGRAM.



ADC Lending Activity: A 5 Year Comparison

IN \$MILLIONS



 DIRECT LOANS

 GUARANTEED LOANS

1984-85 Comparative Data

SUMMARY OF LENDING ACTIVITY

By Major Client Group and Type of Assistance for the years ending March 31, 1985 and 1984

	1984-85		1983-84		Accumulated Authorizations June 1972-March 1985		Active and Outstanding March 1985	
	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions
Farm								
Direct Loans								
Beginning Farmer	896	\$ 109.1	1,082	\$ 142.1	6,207	\$ 818.5	5,444	\$ 711.2
Other	77	7.5	87	7.6	5,255	276.3	3,831	211.1
	973	116.6	1,169	149.7	11,462	1,094.8	9,275	922.3
Specific Guaranteed Loans	75	6.4	69	4.2	1,835	77.1	215	12.8
Alberta Farm Development Loans	5,563	80.7	6,061	89.3	93,967	902.1	15,154	155.5
Farm Development Guaranteed Loans	4	0.2	—	—	4	0.2	—	—
	6,615	203.9	7,299	243.2	107,268	2,074.2	24,644	1,090.6
Agribusiness								
Direct Loans	1	18.5	8	13.1	136	62.9	79	44.4
Specific Guaranteed Loans	6	0.8	15	6.2	414	148.2	41	17.3
	7	19.3	23	19.3	550	211.1	120	61.7
Totals	6,622	\$ 223.2	7,322	\$ 262.5	107,818	\$2,285.3	24,764	\$1,152.3

*These figures include 99 Farm Purchase Board Loans, with \$0.6 million outstanding, approved prior to June 1972.

Direct Farm Loan Authorizations

DISTRIBUTION ANALYSIS

for the years ending March 31, 1985 and 1984

	Beginning Farmer Program				Other Direct Loans				Totals			
	1984-85		1983-84		1984-85		1983-84		1984-85		1983-84	
	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions	No.	\$ Millions
By Region												
#1 South	162	\$ 23.4	231	\$ 34.8	16	\$ 1.9	12	\$ 1.1	178	\$ 25.3	243	\$ 35.9
#2 South Central	142	17.1	133	17.7	8	0.8	7	0.4	150	17.9	140	18.1
#3 North Central	175	20.6	244	32.2	11	1.3	16	1.5	186	21.9	260	33.7
#4 North East	168	18.8	183	21.7	16	1.4	25	2.4	184	20.2	208	24.1
#5 North West	89	11.6	104	14.8	13	0.9	10	1.0	102	12.5	114	15.8
#6 Peace River	160	17.6	187	20.9	13	1.2	17	1.2	173	18.8	204	22.1
	896	\$109.1	1082	\$142.1	77	\$ 7.5	87	\$ 7.6	973	\$116.6	1169	\$149.7
By Purpose*												
Land	715	\$ 95.2	918	\$109.3	32	\$ 3.7	28	\$ 2.8	747	\$ 98.9	946	\$112.1
Equipment & Livestock	84	5.4	58	14.0	1	0.1	3	0.1	85	5.5	61	14.1
Buildings	19	1.5	35	6.4	8	0.6	3	0.3	27	2.1	38	6.7
Financial Restructuring	44	4.1	50	7.9	29	2.8	42	3.7	73	6.9	92	11.6
Housing	24	1.7	13	1.6	4	0.2	8	0.5	28	1.9	21	2.1
Other	10	1.2	8	2.9	3	0.1	3	0.2	13	1.3	11	3.1
	896	\$109.1	1082	\$142.1	77	\$ 7.5	87	\$ 7.6	973	\$116.6	1169	\$149.7

*Each loan is classified by its major purpose.

ALBERTA FARM DEVELOPMENT LOAN AUTHORIZATIONS

Distribution Analysis
for the years ended March 31, 1985 and 1984

	1984-85		1983-84	
	No.	\$Millions	No.	\$Millions
By Region				
#1 South	780	\$ 16.3	854	\$ 20.2
#2 South Central	394	7.4	459	7.7
#3 North Central	862	13.7	1,184	19.7
#4 North East	1,170	13.8	1,227	14.3
#5 North West	1,315	16.2	1,285	15.5
#6 Peace River	1,042	13.3	1,052	11.9
	5,563	\$ 80.7	6,061	\$ 89.3
By Purpose				
Land	106	\$ 4.4	84	\$ 3.6
Equipment & Vehicles	2,446	31.0	2,674	38.1
Buildings	180	2.2	265	3.7
Livestock	859	11.3	924	12.9
Operating Capital	1,217	23.4	1,197	21.7
Dairy Facilities/ Equip.	61	1.3	46	1.1
Clearing & Breaking	471	3.0	698	5.0
Housing	90	1.8	139	2.8
Other	42	0.3	34	0.4
Trade Accounts	81	2.3	—	—
Major Repairs	8	0.1	—	—
	5,563	\$ 80.7	6,061	\$ 89.3

SPECIFIC GUARANTEED FARM LOAN AUTHORIZATIONS

Distribution Analysis
for the years ended March 31, 1985 and 1984

	1984-85		1983-84	
	No.	\$Millions	No.	\$Millions
By Region				
#1 South	11	\$ 1.1	2	\$ 0.3
#2 South Central	3	0.6	2	0.1
#3 North Central	11	1.0	12	1.3
#4 North East	10	0.8	15	0.7
#5 North West	26	2.2	28	1.5
#6 Peace River	14	0.7	10	0.3
	75	\$ 6.4	69	\$ 4.2
By Purpose				
Land	7	\$ 0.8	3	\$ 0.3
Equipment/Livestock	5	0.2	5	0.2
Financial Restructuring	37	4.7	36	2.6
Buildings	2	0.1	4	0.2
Other	24	0.6	21	0.9
	75	\$ 6.4	69	\$ 4.2

PROGRAM INCENTIVES EARNED

Distribution Analysis (including accruals)
for the years ended March 31, 1985 and 1984

	1984-85		1983-84	
	No.	\$000's	No.	\$000's
By Region				
#1 South	1,281	\$ 9,716.0	891	\$ 7,841.2
#2 South Central	790	4,238.5	592	4,601.8
#3 North Central	1,715	8,068.3	1,389	9,049.2
#4 North East	1,323	4,319.8	926	5,188.5
#5 North West	1,358	3,768.0	1,098	4,425.0
#6 Peace River	1,200	7,989.4	823	4,945.8
	7,667	\$38,090.0	5,719	\$36,051.5
By Program				
Beginning Farmer Program	5,966	\$37,112.4	4,282	\$35,177.5
Range & Soil Improvement	873	429.3	333	162.8
Native Range Improvement	547	157.0	743	223.7
Dairy Development	96	134.1	231	294.7
Vegetable & Potato Storage	34	128.9	21	77.8
Sheep Producers	92	65.2	75	62.8
Farm Booster	42	32.2	32	29.6
Extended Farm Loan Incentives	12	18.4	—	—
Grants to Estates of Deceased Borrowers	3	12.5	2	22.6
	7,667	\$38,090.0	5,719	\$36,051.5

AGRIBUSINESS LOAN AUTHORIZATIONS

Distribution Analysis
for the years ended March 31, 1985 and 1984

	1984-85				1983-84			
	Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
	No.	\$Millions	No.	\$Millions	No.	\$Millions	No.	\$Millions
By Region								
#1 South	—	\$ —	1	\$ 0.1	2	\$ 0.3	3	\$ 0.8
#2 South Central	—	—	—	—	—	—	1	0.1
#3 North Central	—	—	1	0.1	—	—	3	1.1
#4 North East	—	—	1	0.3	1	0.1	1	0.1
#5 North West	—	—	3	0.3	1	0.1	4	0.4
#6 Peace River	1	18.5	—	—	4	12.6	3	3.7
	1	\$ 18.5	6	\$ 0.8	8	\$ 13.1	15	\$ 6.2
By Type of Business								
Alfalfa	—	—	—	—	—	—	—	—
Processing	—	\$ —	2	\$ 0.2	—	\$ —	1	\$ 0.1
Feed Mill	—	—	—	—	—	—	3	0.7
Meat Processor	—	—	1	0.3	—	—	5	0.6
Gas Co-op	—	—	—	—	7	1.1	—	—
Rapeseed	—	—	—	—	—	—	—	—
Crushing	1	18.5	—	—	1	12.0	1	3.5
Vet Clinic	—	—	2	0.2	—	—	—	—
Auction Mart	—	—	—	—	—	—	2	0.2
Other	—	—	1	0.1	—	—	3	1.1
	1	\$ 18.5	6	\$ 0.8	8	\$ 13.1	15	\$ 6.2

(1) Refinancing of previous ADC loans and guarantees included in the above loan authorization figures total \$18.8 million in 1984/85 and \$0.1 million in 1983/84.

AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

LIBERIA AGRICULTURAL DEVELOPMENT CORPORATION

Auditor's Report



Alberta Legislature
OFFICE OF THE AUDITOR GENERAL

To the Board of Directors of the
Alberta Agricultural Development Corporation

I have examined the balance sheet of the Alberta Agricultural Development Corporation as at March 31, 1985 and the statements of revenue, expense and deficit, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for losses on loan guarantees as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "A. W. Roy", written over a horizontal line.

F.C.A.
Auditor General

Edmonton, Alberta
June 14, 1985

Balance Sheet

as at March 31, 1985 (thousands of dollars)

	1985	1984
Assets		
Cash and deposits	\$ 21,515	\$ 29,575
Accounts receivable	77	199
Guarantee implementations receivable (Note 5)	1,470	2,024
Loans and accrued interest receivable (Note 6)	957,585	883,605
Property held for sale	6,601	2,503
Other (Note 7)	516	555
Fixed assets (Note 8)	610	525
Trust (Note 9)	35	36
	\$ 988,409	\$ 919,022
Liabilities and Deficit		
Liabilities:		
Accounts payable, Province of Alberta	\$ 38,071	\$ 33,420
Accounts payable, other	717	1,256
Guarantees payable	777	19,492
Allowance for losses on loan guarantees (Note 10)	997	2,105
Accrued incentives payable	19,705	16,108
Debentures payable (Note 12)	954,520	847,000
	1,014,787	919,381
Deficit	(26,413)	(395)
Trust (Note 9)	35	36
	\$ 988,409	\$ 919,022

The accompanying notes are part of these financial statements.

Statement of Revenue, Expense and Deficit

for the year ended March 31, 1985 (thousands of dollars)

	1985	1984
Revenue		
Interest	\$ 105,085	\$ 90,606
Administrative fees	33	63
Miscellaneous	67	4
	105,185	90,673
Expense		
Interest on debentures	123,587	107,346
Operating, Schedule 1	7,398	6,979
Farm loan incentives, Schedule 2	38,090	36,052
Provision for doubtful accounts and losses (Note 10)	34,646	8,994
Reduction to estimated market value of property held for sale	8,229	1,795
	211,950	161,166
Operating loss	106,765	70,493
Contribution by the Province of Alberta (Note 4)	80,747	65,500
Net loss for the year	26,018	4,993
Deficit (retained earnings) at beginning of year	395	(4,598)
Deficit at end of year	\$ 26,413	\$ 395

Statement of Changes in Financial Position

for the year ended March 31, 1985 (thousands of dollars)

	1985	1984
Funds were provided from:		
Net loss for the year	\$ (26,018)	\$ (4,993)
Provision for doubtful accounts and losses	34,646	8,994
Adjustment to market value of property held for sale	8,229	1,795
Depreciation	85	75
Funds from operations	16,942	5,871
Proceeds from issue of debentures	127,000	144,000
Repayments of loans receivable	14,449	13,009
Increase in accounts payable, Province of Alberta	4,651	14,160
Increase in accrued incentives payable	3,597	6,496
Recoveries of guarantee implementations receivable	559	453
Decrease (increase) in accounts receivable	122	(90)
Decrease in other assets	39	—
Recoveries of trust assets	7	98
	167,366	183,997
Funds were applied to:		
Disbursements of loans	133,335	162,482
Repayments of debentures	19,480	15,000
Decrease (increase) in guarantees payable	18,715	(18,380)
Implementation of guarantees	3,179	2,463
Decrease in accounts payable, other	539	505
Fixed asset purchases	178	285
	175,426	162,355
Decrease (increase) in cash and deposits	\$ 8,060	\$ (21,642)

Schedule of Operating Expense

for the year ended March 31, 1985
(thousands of dollars)

Schedule 1

	1985	1984
Salaries and wages	\$ 5,012	\$ 4,847
Employee benefits	578	532
Travel	541	457
Directors' fees	228	195
Data processing	225	162
Telecommunications	142	96
Equipment rental and repair	133	116
Stationery and office supplies	104	71
Depreciation	85	75
Equipment purchases	66	19
Legal	51	65
Printing and binding	51	71
Postage, freight and express	45	52
Meetings and conferences	37	49
Counsellor fees	31	—
Professional fees	31	152
Advertising	27	11
Microfilming	10	9
	\$ 7,388	\$ 6,979

Schedule of Farm Loan Incentives

for the year ended March 31, 1985
(thousands of dollars)

Schedule 2

	1985	1984
Beginning farmer program	\$ 37,113	\$ 35,177
Range & soil improvement program	429	163
Native range program	157	224
Dairy development program	134	295
Vegetable storage program	129	78
Sheep program	65	63
Farm booster program	32	29
Extended farm loan incentives	18	—
Grants to estates of deceased borrowers	13	23
	\$ 38,080	\$ 36,052

Notes to the Financial Statements

March 31, 1985

NOTE 1

Authority

The Alberta Agricultural Development Corporation operates under the authority of the Agricultural Development Act, Chapter A-7, Revised Statutes of Alberta 1980.

NOTE 2

Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles.

(b) Fixed assets and depreciation

Fixed assets having a cost in excess of \$500 are capitalized and shown in the balance sheet. Depreciation is recorded on a straight line basis over the following estimated useful lives of the assets:

Electronic data processing systems	5 years
Office equipment	10 years

Depreciation is not recorded for electronic data processing systems under development.

(c) Allowance for doubtful accounts and losses

The Corporation provides for losses on loans, guarantee implementations, other assets and loan guarantees.

(d) Property held for sale

Property held for sale is recorded at estimated market value at the year end.

NOTE 3

Change in Accounting Policy

The Corporation changed its method of accounting for losses on loan guarantees and now includes an amount for such losses in the provision for doubtful accounts and losses and records an allowance for the losses in the balance sheet. In prior years, an amount for the losses was appropriated from retained earnings and allocated to a reserve for contingent liabilities. The effect of the change which has been retroactively applied, is to decrease the net loss for 1985 by \$1,108,000 and decrease the net loss for 1984 by \$4,524,000 from the figure which was previously reported. There is no effect on the deficit for both years.

NOTE 4

Financial Structure

The Corporation's operations are funded through the sale of debentures to the Alberta Heritage Savings Trust Fund and a contribution from the General Revenue Fund of the Province of Alberta.

Office accommodation and field support staff are provided at no charge by the Province and accordingly are not reflected in these financial statements.

NOTE 5

Guarantee Implementations Receivable

Loan guarantee payments made to financial institutions for uncollectable loans made by them under the Corporation's guarantee are generally of a demand nature.

	1985	1984
	(thousands of dollars)	
Guarantee implementations receivable	\$ 8,845	\$ 9,321
Plus: Accrued interest	1,601	1,958
	10,446	11,279
Less: Allowance for doubtful accounts (Note 10)	8,976	9,255
	\$ 1,470	\$ 2,024

NOTE 6

Loans and Accrued Interest Receivable

Loans are secured by agreements for sale and mortgages and are repayable in instalments due as follows, assuming that options to renew will be exercised when applicable:

	1985	1984
	(thousands of dollars)	
Arrears of principal and interest	\$ 28,927	\$ 25,032
Principal due in:		
1 year	22,091	10,243
2 years	19,526	16,931
3 years	21,100	18,373
4 years	22,536	19,712
5 years	24,362	21,002
6 - 10 years	152,640	140,158
Over 10 years	666,725	611,312
	957,907	862,763
Plus: Accrued interest	52,275	43,889
	1,010,182	906,652
Less: Allowance for doubtful accounts (Note 10)	52,597	23,047
	\$ 957,585	\$ 883,605

NOTE 7

Other Assets

Assets at cost, acquired by the Corporation as a result of security and related action are as follows:

	1985	1984
	(thousands of dollars)	
Lambco plant, equipment and advances (Note 11)	\$ 516	\$ 555
Unlisted preferred shares	—	250
	516	805
Less: Allowance for loss on realization (Note 10)	—	250
	\$ 516	\$ 555

NOTE 8

Fixed Assets and Depreciation

Fixed assets are comprised of the following:

	Cost	Accumulated Depreciation	1985 Net Book Value	1984 Net Book Value
	(thousands of dollars)			
Office equipment	\$ 204	\$ 98	\$ 106	\$ 112
Electronic data processing systems	448	139	309	333
Systems under development	195	—	195	80
	\$ 847	\$ 237	\$ 610	\$ 525

NOTE 9

Trust Assets and Liabilities

Prior to December 15, 1975 the Province of Alberta indemnified the Corporation for all guarantee implementations in return for subrogation of collection rights. The balances shown reflect the total outstanding guarantee payments from this period less an estimated uncollectable amount of \$270,000 (1984 \$300,000).

NOTE 10

Allowance for Doubtful Accounts and Losses

	Loans	Guarantee Implementations	Other Assets	Loan Guarantees	Total
	(thousands of dollars)				
Allowance at beginning of year	\$ 23,047	\$ 9,255	\$ 250	\$ 2,105	\$ 34,657
Less: Accounts written off	3,030	3,453	250	—	6,733
	20,017	5,802	—	2,105	27,924
Increase (decrease) in allowance	32,580	3,174	—	(1,108)	34,646
Allowance at end of year	\$ 52,597	\$ 8,976	\$ —	\$ 997	\$ 62,570

NOTE 11

Lambco Plant and Equipment

Pursuant to an agreement between Lamb Processors Co-op Ltd., the Province of Alberta and the Corporation, the Corporation acquired the net assets and business of the Co-op. The Corporation has since provided operating advances to Lambco in accordance with the agreement. Grants from the Province reimburse the Corporation for Lambco operating losses before depreciation expense and also for capital expenditures of Lambco to the extent that capital expenditures exceed any operating profit before depreciation expense for the year. As at March 31, 1985 the Corporation's investment in Lambco was \$515,884 (1984 \$554,581). Operating revenue and expenses of Lambco are not consolidated in the financial statements of the Corporation.

Furthermore, the Province will indemnify the Corporation for any losses which might be incurred on disposal of Lambco. Any disposal proceeds in excess of the Corporation's investment in Lambco will be payable to the Province.

NOTE 12

Debentures Payable

Debentures payable to the Province of Alberta are as follows:

Series	Year of Maturity	Weighted Average Interest Rate	March 31, 1985 Principal Outstanding	
			1985	1984
			(thousands of dollars)	
A	2004	13.09%	\$139,860	\$144,440
B	2004 - 2005	13.01	36,000	36,800
C	2005	12.75	73,600	75,200
D	2006	15.37	139,600	142,600
E	2006 - 2007	16.96	189,360	193,360
F	2007 - 2009	13.02	267,100	254,600
G	2009 - 2010	13.46	109,000	—
			\$954,520	\$847,000

Principal repayments due in each of the next five years are as follows:

Year ended March 31, 1986	\$22,280,000
1987	23,780,000
1988	25,900,000
1989	27,780,000
1990	30,710,000

NOTE 13**Contingent Liabilities and Commitments**

The Corporation has the following contingent liabilities and commitments at March 31, 1985:

	1985	1984
	(thousands of dollars)	
Loan guarantees	\$ 69,650	\$ 98,897
Letter of credit	8,000	8,000
Total contingent liabilities	\$ 77,650	\$ 106,897
Estimated farm loan incentives over the next five years	\$ 128,455	\$ 116,000
Approved, undisbursed loans	30,046	44,822
Total commitments	\$ 158,501	\$ 160,822

NOTE 14**Comparative Figures**

The 1984 figures have been restated where necessary to conform to 1985 presentation.

NOTE 15**Approval of Financial Statements**

These financial statements were approved by management.